

THE HISTORIC Tobacco Settlement

The Kentucky Agricultural Development Board has invested more than \$190 million in Kentucky's agricultural infrastructure in the five years since passage of the historic House Bill 611. The board has awarded hundreds of grants of tobacco settlement money to help Kentucky farmers free themselves from their dependence on tobacco income. That's more important than ever now that the tobacco price-support system is just a memory.

In the fifth year of the program's existence, Kentucky farmgate income topped the \$4 billion barrier for the first time in 2004.

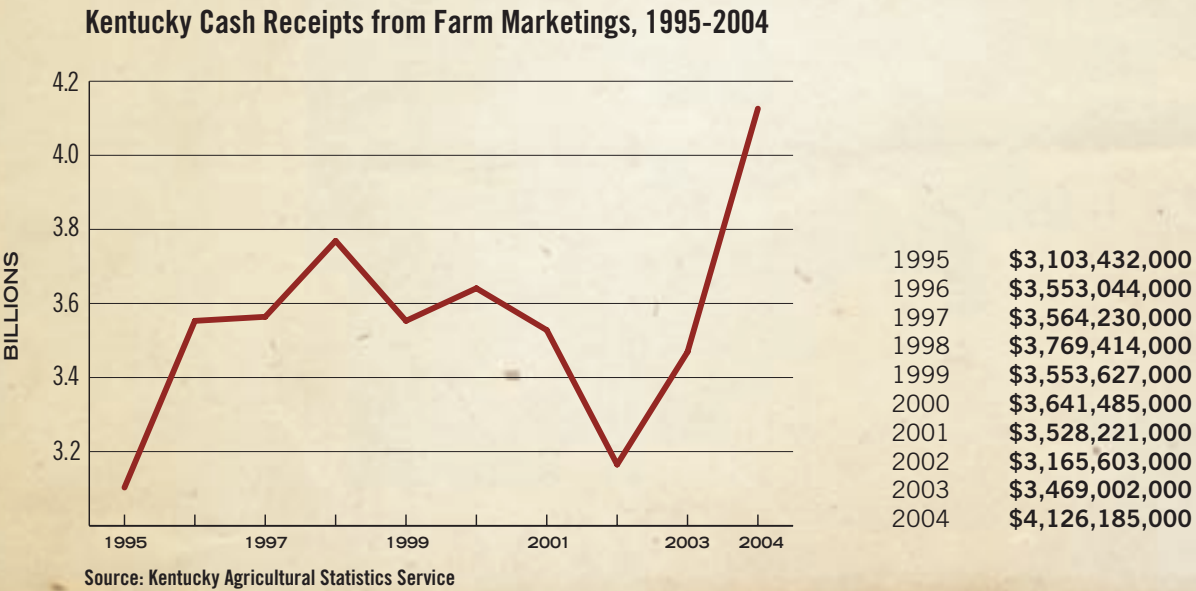
"These results are a sign that the investments the state has made to strengthen and diversify our agriculture economy are paying off," said Agriculture Commissioner Richie Farmer, vice chair of the Agricultural Development Board. "These projects are the best investments we can make to lay a firm foundation for the future of Kentucky agriculture and our rural communities."

The Ag Development Board has invested millions of dollars in Kentucky's beef industry to strengthen the Commonwealth's position as the largest beef state east of the Mississippi River. Investments have been made to improve cattle genetics, fencing and forages, and provide producers access to cattle handling facilities. The board has awarded more than \$6.6 million to the Kentucky Beef Network, including \$2.4 million in September 2005, to help Kentucky cattle producers with marketing opportunities, data management, electronic animal identification, and other production and marketing initiatives.

In May 2005 the board awarded \$2.99 million for Allied Food Marketers West Inc. to work with the Kentucky Department of Agriculture's marketing office to help producers get their Kentucky Proud products into retail markets.

Grants have been awarded for fruit and vegetable production, agritourism, biofuel production, farmers' markets, goat production, seafood processing and many other enterprises and activities. The board awarded \$20 million to the Kentucky Agricultural Finance Corp. to give producers better access to capital.

The program started in 2000 when the Kentucky General Assembly passed House Bill 611, which called for the state to invest half of Kentucky's tobacco settlement money into helping Kentucky agriculture reduce its dependence on tobacco income and diversify into other products. The original Agricultural Development Board was introduced the following July, and the county councils that handle the counties' shares of the tobacco settlement funds were established. Since then, Kentuckians – and observers from other states – have been watching to chart the progress of this one-of-a-kind investment in agriculture.



'SALSA SISTERS' ARE COOKING



TED SLOAN

A customer looks over a jar of McDowell Farms Salsa as, from right, Carla and David McDowell and the KDA's Maria Maldonado Smith look on at E.W. James and Sons grocery in Lexington.

The "Salsa Sisters" of Germantown, Carla McDowell and Belinda Fay, got off to a good start with their home-processed salsa business. Soon they needed to grow. A \$56,000 grant from the Kentucky Agricultural Development Board provided half the cost of building a commercial kitchen, and their operation's production capacity grew seven-fold.

"That was instrumental in helping us build a commercial kitchen on our farm," McDowell said of the matching grant.

Today, McDowell Farms Salsa can be found in several local stores and others in northern and northeastern Kentucky, Cincinnati, Lexington and Bowling Green as well as on the Internet. The "Salsa Sisters" also make appearances at festivals and other events all over the state.

Technically, the grant is a forgivable loan. McDowell Farms "pays off" the loan by buying at least \$5,600 worth of Kentucky-grown produce a year. In 2005, the salsa maker bought \$10,000 worth of produce from some 35-40 Kentucky growers. "Not only has the grant helped us diversify from tobacco, it has helped other farmers in our area diversify, too," McDowell said.

The business is looking to expand to other areas of the state and possibly other states, McDowell said. With her garage full of salsa, they also need more storage, she said, and may seek another grant to help renovate an old tobacco barn.

"They have been so good to work with," McDowell said of the Governor's Office of Agricultural Policy, the administrative arm of the Agricultural Development Board. "Anytime we have a question, they find the answers for us. I can't praise them enough."

ETHANOL PLANT IS GOING FULL SPEED AHEAD

Commonwealth Agri-Energy of Hopkinsville is riding the crest of the biofuels wave. It made a profit in its first year of operation. It employs 30 people and provides a new market for corn producers in south-central Kentucky. The \$32 million ethanol production plant was built in part with a grant and a loan from the Kentucky Agricultural Development Board totaling \$9.5 million.

"The grant and loan were absolutely necessary to get the project off the ground," said Mick Henderson, general manager of Commonwealth Agri-Energy.

Commonwealth Agri-Energy processed 8 million bushels of grain, almost all corn, to produce 23 million gallons of ethanol in its first fiscal year ended April 30, 2005. Its production process also yielded 64,000 tons of distiller's dried grains for livestock feed and 64,000 tons of carbon dioxide, which the Paine Enterprises plant next door processes into dry ice. The plant is expanding its production capacity to a maximum of 33 million gallons of ethanol. The ethanol plant is owned by the 650 members of the Kentucky Corn Growers Association and the 2,300 members of the Hopkinsville Elevator Cooperative.

Among those who have hitched a ride on the biofuels bandwagon is Max Arnold and Sons, which opened an E85 pump in Hopkinsville in 2005 and reported sales "three times better than expected." The E85 fuel at the Max Fuel Express station was priced 50 cents per gallon lower than conventional gasoline at the time while gasoline prices were inflated in the aftermath of Hurricanes Katrina and Rita.

Biofuels, such as ethanol and soydiesel, captured the imagination of Americans in 2005 after petroleum refinery damage from the hurricanes squeezed the nation's fuel supply, sending gasoline prices skyrocketing above \$3 per gallon.

Ethanol production in the U.S. reached a record 260,000 barrels per day in August 2005, according to the Renewable Fuels Association. Still, available stocks were not keeping up with demand, the RFA said. Production capacity in the U.S. was nearly 4.1 billion gallons in the fall of 2005, with another 949 million gallons of capacity under construction. The U.S. imported nearly 160 million gallons of fuel ethanol in 2004.



CHRIS ALDRIDGE

David Gibson, plant engineer of Commonwealth Agri-Energy in Hopkinsville.

OUR PRODUCERS ARE Kentucky Proud



TED SLOAN



ROGER SNEEL

Kentucky Proud signage at Doll's Market in Louisville. INSET: Ouita and Chris Michel of Holly Hill Inn in Midway.



CHRIS ALDRIDGE

A first-grader feeds Hershey, a hungry calf, at Christian Way Farm in Christian County.

Kentucky farms are increasingly turning to agritourism, which is defined as the act of visiting a working farm or other agriculture-related concern for the purpose of enjoyment, education or active involvement in the activities of the farm or business. Agritourism enables proprietors to diversify their operations and add a source of revenue on the farm.

Kentucky Farm Stays, a new statewide agritourism trail, was launched in October 2005, traditionally a peak agritourism month. The Bed & Breakfast Association of Kentucky created the Kentucky Farm Stays program so farm visitors can learn about the importance of agriculture in their everyday lives and have fun doing it.

The state Office of Agritourism, a joint effort of the Kentucky Department of Agriculture and the Kentucky Department of Tourism, is developing a marketing strategy and a statewide master plan for Kentucky's agritourism industry. A statewide marketing survey of Kentucky's agritourism destinations was scheduled to be completed at the end of 2005.

Kentucky Proud is recognized as the symbol of fresh, great-tasting, high-quality food products that are raised or processed right here at home. Consumers look for the familiar red, blue and green logo to find fresh Kentucky produce, top-quality Kentucky meats and seafood, delicious Kentucky jams, jellies and salsas, and many other products. These foods are shipped a short distance to your grocery, specialty food store, farmers' market or favorite restaurant.

Gil Logan, executive chef of Churchill Downs in Louisville, has been Kentucky Proud's most enthusiastic champion. In 2004 and again in 2005 he bought hundreds of thousands of dollars worth of Kentucky Proud foods to serve to guests at the Kentucky Derby and Kentucky Oaks. He has sung the praises of local Kentucky foods to national audiences.

Ouita Michel, head chef and co-owner of Holly Hill Inn in Midway, buys vegetables, meats, cheeses, dairy products and many other foods from Kentucky Proud producers throughout the state.

"Local foods are the best quality you can get, plus it puts money back into our local economy," Michel said. "I like the idea, and our customers love the idea, that their money goes back into the community."

Holly Hill participates in the Kentucky Department of Agriculture's Restaurant Rewards program, in which the Department reimburses restaurants up to 20 percent or \$1,000 of their monthly spending for eligible Kentucky agricultural products as long as they promote Kentucky Proud and their use of those products.

Lexington grocer Bob Slone held a Kentucky Proud promotion in December 2004 at his Slone's Signature Markets and enjoyed his best sales month to date. Other retailers large and small have experienced similar success with Kentucky Proud products.

The KDA's marketing office and Allied Food Marketers West Inc. are using a \$2.99 million Agricultural Development Board grant to connect Kentucky producers with new markets. By late 2005 they had already added to the list of Kentucky Proud retailers and laid the groundwork to recruit

many more. Allied also helps farmers pursue their business ideas and create viable products with solid marketing programs. Allied maintains a business incubator Web site, www.farmersincubator.com.

Kentucky's 98 farmers' markets offer consumers a cornucopia of Kentucky Proud foods, including meats and cut flowers alongside the traditional fruits and vegetables at some markets. Farmers' market sales were estimated at \$6-7 million in 2004, up from \$5.4 million in 2003. According to the University of Kentucky's Cooperative Extension Service, 75 percent of Kentucky farmers directly sell more than half of their produce at farmers' markets and similar outlets.

Kentucky adopted new regulations in September 2005 that allow the state Parks Department to buy local Kentucky Proud meat and dairy products for its 17 resorts and the three Frankfort cafes that it operates. In August 2004, the state launched a program to buy fresh Kentucky Proud produce for the state resorts and cafes.



CHRIS ALDRIDGE

Maria Maldonado Smith discusses the Kentucky Proud plate with Earl Southerland at the 2005 Kentucky State Fair.

Former Miss Kentucky Maria Maldonado Smith is traveling the state encouraging Kentuckians to sign up to get the new Kentucky Proud license plate. The KDA is working to meet the Transportation Cabinet's requirement of 900 orders by March 18, 2006.

An initial fee of \$25 is charged at the time of application for the new plate, and a renewal fee of \$20 will be charged each year. To apply, fill out the application located in the back of this book.



Jim Akers of the University of Kentucky and the Kentucky Beef Network shows a radio frequency identification (RFID) tag in a calf's ear.

TED SLOAN

SAFEGUARDING KENTUCKY'S Livestock

One day soon, federal and state agriculture officials will be able to trace a farm animal from its birth farm to every stop in its life within 48 hours if necessary to respond to a disease outbreak. Every head of livestock (or lot, in the case of poultry and some other animals) will have a tag that will identify that animal. Buyers will seek out Kentucky livestock and livestock products because they will be source-verified all the way back to the farm of origin.

The Kentucky Department of Agriculture and its partners are working to bring that day closer to reality.

As the first step in establishing the National Animal Identification System, the KDA is registering agricultural premises throughout the Commonwealth in partnership with the Kentucky Beef Network, the Kentucky Cattlemen's Association, the University of Kentucky, Kentucky Farm Bureau and other partners. An agricultural premises is a farm, stockyards, fairgrounds or anywhere else where animals are born, managed, marketed or exhibited. Each premises that is registered will get its own identification number, which will be a series of seven letters and numbers assigned at random.

The U.S. Department of Agriculture has set up a system whereby farmers and others who deal in livestock can register their premises online at the KDA's Web site, www.kyagr.com. Producers also can get a premises registration form by contacting the office of State Veterinarian Robert C. Stout at (502) 564-3956 or by visiting their local Extension or Farm Service Agency offices. There is no charge for registering your premises.

Kentucky's premises identification system is being funded with part of a \$269,093 grant from USDA. Another grant enabled the KDA to participate in a 10-state pilot project to trace livestock from their farms of origin to a Georgia processing plant in 2005.

Animal identification also is underway. Some species, such as cattle, are being identified individually with radio frequency identification (RFID) ear tags. Species that traditionally are sold in groups, such as poultry and swine, will be identified in lots.

Electronic identification of livestock will help authorities pinpoint and eradicate a disease outbreak if one should ever occur. It will enable farmers who are not involved in an outbreak to stay in business because investigators will be able to quickly and easily identify every location a diseased animal has ever been and narrow the scope of their efforts to those places.

Animal identification also helps the livestock industry meet increasing demand from consumers, livestock buyers and overseas trading partners for source verification of animal products.

USDA, the states and industry are working together to create the system. USDA will require every agricultural premises to be registered by January 2007 and has set a January 2009 target for the animal identification system to be fully operational.

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ADDITIONAL SERVICES AVAILABLE TO KENTUCKY FARMERS

The KDA's Division of Animal Health has the task of controlling and eradicating animal diseases in Kentucky. In 2005, the division was instrumental in controlling an outbreak of strangles at Churchill Downs' Trakside training facility in March, an equine herpesvirus outbreak at Churchill Downs during thoroughbred racing's Triple Crown season and a quarantine for strangles at Ellis Park in Henderson in July. The state veterinarian's office enacted embargoes of all livestock, wild and exotic animals from western states with confirmed cases of vesicular stomatitis. The animal health division monitored the spread of avian influenza from southeast Asia into eastern Europe in late 2005.

Kentucky Department of Agriculture staff, on request, will come to your farm to take hay and haylage samples and test them in the Department's forage laboratory. The fee for the service is \$10 per sample. Farmers get nutrition data on their hay that will help them make informed decisions about the hay rations they feed their livestock.

Farmers who want to buy or sell hay can go to the KDA's online Hay Sales Directory. The directory has listings of hay for sale that describe each lot's type, cutting date, cutting number, bale size and weight, color, odor, relative feed value and other characteristics. Some listings have digital images of the forage. To see the Hay Sales Directory, go to www.kyagr.com and click on Hay Program on the pull-down menu.

The Department also administers Kentucky's grain insurance program, licenses rendering plants, awards grants for dead animal removal and performs numerous other services for Kentucky's farmers.

TEACHING KENTUCKY'S **Youth**

The Kentucky Department of Agriculture reaffirmed its commitment to Kentucky's youth when it gave \$47,500 each to Friends of Kentucky 4-H Inc. and the Kentucky FFA Foundation Inc. in August 2005.

"Kentucky's most important crop is our youth," Commissioner Richie Farmer said. "They will determine how bright Kentucky's future will be. FFA and 4-H do an excellent job of molding our young people into honest, hard-working, caring men and women who will become the leaders of tomorrow. The Kentucky Department of Agriculture is pleased to play a role in their good work."

The Department launched "Agriculture Adventures: Kentucky" in the fall of 2005 to educate Kentucky schoolchildren about the importance of agriculture in their everyday lives. The response far exceeded KDA's expectations as some 106 programs were scheduled for the 2005-2006 school year. The entertaining and educational program is produced by the COSI science museum in Columbus, Ohio.

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The program begins with an assembly, where Chef Parmesan and Derby the Horse lead the children through the process of growing the ingredients to make pizza. Following the program, students get to milk a fiberglass cow, grind wheat into flour, test soil samples and participate in many other hands-on experiments and activities.

The KDA's Mobile Science Activity Center continues to provide agriculture-based science lessons to schoolchildren throughout the Commonwealth. The Mobile Science Activity Center is a 42-foot-long trailer with 10 workstations to provide opportunities for students to conduct investigations about agriculture and the environment. Using materials supplied in the unit,

students can make corn plastic, lip balm, ice cream and many other products.

The Mobile Science Activity Center is sponsored by Kentucky Agriculture and Environment in the Classroom Inc., a nonprofit organization administered by the Kentucky Department of Agriculture that promotes appreciation for agriculture and the environment as it relates to agricultural production.

The Department also sponsors the annual Poster and Essay Contest for students in grades 1-8 and conducts workshops to help Kentucky teachers integrate agriculture into their classrooms.

The KDA's Division of Show and Fair Promotion launched the Kentucky Proud Points Program in 2005 as an improved version of the Kentucky Junior Livestock Points Program that debuted in 2004. The Kentucky Proud Points Program enables exhibitors to compete for points based on their showings in preview and district shows, the state's three Junior Livestock Expos and the Kentucky State Fair as well as other shows in some species.

The KDA sponsors more than 100 livestock shows for youth as well as adults. It works with Kentucky's 107 county fairs to promote Kentucky agriculture. It provides premiums for livestock shows totaling more than \$1 million a year.



CHRIS ALDRIDGE

Alaric Peden, a second-grader at Chenoweth Elementary in Louisville, grinds wheat into flour during an "Agriculture Adventures: Kentucky" program.

PROTECTING THE Consumer



TED SLOAN

The Kentucky Department of Agriculture's Bob Henderson, left, and J.C. Watts inspect a ride before the 2005 Kentucky State Fair.



TED SLOAN

Ricky Jacobs, left, and Justin Bruner report the name and stock number of a clothing item with a UPC code that did not register the same price as the amount shown on the price tag.

Chad Halsey checked a Covington amusement ride company's insurance – one of his routine duties as manager of the Kentucky Department of Agriculture's ride inspection program. He found that the company's insurance certificate was invalid, and with a little detective work he discovered that the Illinois insurance agency that submitted the certificate was the target of a multi-state investigation. The Department issued a statewide alert advising amusement ride businesses to confirm their insurance.

Patrick Gilbert watches for people who try to sell bogus pesticide services to consumers in his native southeastern Kentucky. His efforts have landed people in jail for trying to pull off pesticide scams.

It's more important than ever that Kentucky consumers get what they're paying for at the pump. KDA personnel

inspect every gasoline pump in the Commonwealth for accuracy and motor fuel quality.

These are just a few of the ways the Kentucky Department of Agriculture touches every Kentuckian's life every day as a consumer protection and service agency. The KDA also regulates pesticide applicators and inspects price scanners, eggs, limestone, liquid fertilizer meters, frozen poultry and commercial scales.

The KDA performed 836 inspections on mobile amusement rides and 615 inspections on permanent rides in 2004. Fewer than 10 people were injured on rides in Kentucky that year, and KDA inspectors issued 21 citations for failing to have a ride inspected.

The Department's consumer protection responsibilities have grown dramatically in recent years. The number of gasoline pumps in Kentucky has risen to about 50,000, and the number of amusement rides and other such attractions has tripled since the inception of the ride inspection program in 1984. The KDA has cross-trained its inspectors to meet the growing demand.

To report an inaccurate gasoline pump, price scanner or other device, contact the Department at **(502) 573-0282**. To find out if a pesticide applicator is licensed in Kentucky, or to file a complaint about an applicator (licensed or unlicensed), call toll-free **1-866-289-0001**.

Patrick Gilbert has landed people in jail for trying to pull off pesticide scams.

CARING FOR THE Environment



KDA PHOTO

Kentucky Department of Agriculture workers remove unwanted chemicals.

with more than 100 counties participating as of fall 2005. It started in 1991 with three participating counties and gathered 10,000 pounds of material in the first year.

The Rinse and Return Program is a voluntary, cooperative program sponsored by the Agri-Business Association of Kentucky (ABAK). Other partners include Farm Bureau, the U.S. Department of Agriculture's Natural Resources Conservation Service, the local conservation districts and the University of Kentucky Cooperative Extension Service, but ABAK provides the primary assistance for outreach materials and organizational information.

The chemical collection program had picked up 450,000 pounds by October 2005. An Amnesty Day program coordinated by the Kentucky Division of Conservation began the chemical collection program in 1991. KDA formed its own program in 1995, and it now reaches more than 100 counties.

Mini-bulk container recycling for containers with a capacity of 15 gallons or larger is provided by KDA along with the Kentucky Fertilizer and Agricultural Chemical Association. Launched in 2000, it is the first statewide crop protectant mini-bulk recycling program in the United States. The demand for this program exceeded expectations.

"I encourage dealers and producers to take advantage of these programs," said Commissioner Farmer. "Only by working together can we keep our environment safe and clean."

The Kentucky Department of Agriculture's Division of Environmental Services operates these programs. It also regulates pest control companies, lawn care services, pesticide dealers, golf groundskeepers and pesticide applicators. It trains, licenses and certifies pesticide applicators, and it registers and regulates distribution and sale of pesticide products.

For more information about the Rinse and Return, chemical collection or mini-bulk recycling programs, contact the Division of Environmental Services toll-free at **1-800-205-6543**.

Two environmental programs in the Kentucky Department of Agriculture were closing in on important milestones in 2005. The Rinse and Return Program approached 1 million pounds of plastic chemical containers collected, and the farm chemical collection program neared 500,000 pounds.

"I am committed to a safer, cleaner and healthier Kentucky," Kentucky Agriculture Commissioner Richie Farmer said. "These efforts are important parts of the Department's mission as a consumer protection and service agency. They play a significant role in preserving our environment. Rinse and Return saves landfill space, and chemical collection assures safe disposal of unwanted and outdated farm chemicals."

"Farmers depend on a healthy environment more than anyone else. They are among this country's most faithful stewards of the land."

The Rinse and Return Program had collected 998,000 pounds of pesticide containers since its inception

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FOCUSED ON Safety



LEEWOOD GOODLETT

Dale Dobson, right, the Kentucky Department of Agriculture's farm safety coordinator, talks to, from left, Nick Stuecker, Matt Adams and Mark Thomas about all-terrain vehicle safety.

KDA's farm safety field officers use a one-of-a-kind tractor rollover simulator to show how a rollover protection structure (ROPS) on a tractor can save your life. The Department also uses a miniature grain bin to demonstrate the danger of becoming trapped in a full-scale bin full of grain.

All-terrain vehicle (ATV) deaths have increased in Kentucky as ATVs have grown in popularity. The Farm and Home Safety program includes an ATV safety display in many of its appearances. ATV safety was the focus of the Farm Safety Symposium in Elizabethtown in March 2005 that was co-sponsored by the KDA. The KDA conducted a course on ATV safety in Elizabethtown in September 2005 that was taped for the local cable channel.

The Kentucky Department of Agriculture's one-of-a-kind rollover tractor simulator demonstrates how a rollover protection structure (ROPS) can stop a tractor from rolling over - and save a life.



TED SLOAN

Agriculture is one of Kentucky's most dangerous occupations. In 2004, 25 people died in farming accidents in Kentucky, one more than in 2003. That's half the number of farm deaths reported in 1995.

No one knows how many lives have been saved due to the efforts of the KDA's Farm and Home Safety Program. But Princeton Fire Chief Brent Francis credited farm safety classes conducted by the KDA's Dale Dobson with teaching emergency workers the techniques they used to successfully rescue a local farmer from a grain bin in March 2005. "That really helped us," Francis told the Princeton Times-Leader newspaper. "Without those specialized classes, we might not have been successful."

The KDA's farm and home safety field staff travel the state to explain steps farmers can take to keep themselves and their families safe on the farm. The